



Importance of filing Form GST TRAN-1 and precautions to be taken

Transition from old indirect tax regime (Excise duty, Service tax, Value Added Tax, Central Sales Tax etc.) to the GST regime is facilitated through the transitional provisions in the GST law. Transitioning of specified input tax credits under the earlier regime is facilitated through filing of relevant information/ details on the GST portal through a Form called GST TRAN-1 ('TRAN-1'),

GST Council in its recent meeting on 9 September made two important recommendations regarding filing of TRAN-1, viz

- Extension of due date for filing TRAN-1 to 31 October 2017;
- Allowing one time revision of TRAN-1

The intent behind these recommendations was to allow taxpayers to revise TRAN-1 and giving accurate details.

We are pleased to release the Flash News on the importance of filing TRAN-1 and some precautions that could help the taxpayers.

What is TRAN-1?

- Every registered person who is entitled to carry forward input tax credit (ITC) from earlier regime to GST regime is required to submit declaration in TRAN-1 electronically [Rules 117-120 of Central Goods and Services Tax ('CGST') Rules]
- Format of TRAN-1 has been provided under CGST Rules and is available in electronic format on GST common portal

- The format for TRAN-1 requires various details to be filled in, such as tax credit carried forward in the return filed under the earlier regime, statutory forms received and pending, credit pertaining to capital goods, goods-in-transit and stock lying on appointed date for which credit has not been availed in returns under existing laws, goods sent to and received from job-worker etc.

When is TRAN-1 to be filed?

- Press release on recommendations made by GST council states that the due date for furnishing TRAN-1 has been extended by one month to 31 October 2017
- However, no notification extending the time limit for filing TRAN-1 is issued. Accordingly TRAN-1 needs to be filed by 28 September 2017 and can be revised once by 31 October 2017 (Order No 2/2017 dated 18 September 2017 read with Rule 120A introduced under Notification No 34/ 2017-Central Tax dated 15 September 2017)

Importance of TRAN-1

- Basis the details provided in TRAN-1, input tax credit would be reflected in the electronic credit ledger on GST common portal. This can be utilised for payment of taxes in GST regime impacting the cash flow for the taxpayers as well as for the Government.
- A recent letter issued by Central Board of Excise and Customs (CBEC) to tax officials dated 11 September 2017, states that, "*registered persons have already claimed over INR65,000 crore as CGST credit. The possibility of claiming ineligible credit either due to mistake or confusion cannot be ruled out*". CBECE has therefore instructed tax officials to scrutinise claims of ITC more than INR one crore.

- Tax officials have been directed to send an action taken report by 20 September 2017 for assesseees under their jurisdiction

Things to be kept in mind while filing/reviewing TRAN-1

- Devote sufficient time for filing TRAN-1 as it requires careful analysis, documentation and recording.
- Ensure that entries are accurate and are substantiated by underlying documents like invoices or forms
- Read all instructions and the provisions of GST law before filing TRAN-1. e.g. in terms of Section 140(1) of CGST Act. ITC can be carried forward only when the same is admissible under GST law. Hence, one should review the input tax credit as per provisions under GST law especially Section 17 of the CGST Act. Where goods and services are received after 1 July 2017 but invoiced before 1 July by the vendor, transitional credit is available only in case of input and input services in terms of Section 140(5).
- Ensure that all registrations are properly migrated to GST to enable carrying forward the credits in respect of such registration in the GSTN portal. Provide sufficient time for technical glitches and finding resolution from GSTN.
- Conduct a four-eye review of TRAN-1 already filed to identify errors/mistakes, if any. Basis such review, TRAN-1 should be revised or rectified.
- Keep documents ready for scrutiny by Government officers in case credit claimed under TRAN-1 already filed is more than INR one crore. The documents may *inter alia* include
 - Form TRAN-1
 - Last 6 months' returns under earlier Indirect tax laws
 - Documents (invoices/ forms) supporting credit in the last return filed
 - Stock statements as on 30 June and inventory records
 - Job work register and records (of goods sent to job worker and goods received for job work)
 - In case there were disputes on claim of ITC under the earlier regime - taxpayer's written submissions to the tax authorities and orders received from the adjudicating/ appellate authorities

Our comments

Proper availment of credits is of utmost importance to a taxpayer to avoid working capital blockage and a tax cost impact. Hence, filing proper TRAN-1 is crucial.

The opportunity provided to revise the same was much needed. Taxpayers should use this opportunity carefully as this is an important activity for smooth transitioning to GST regime. A third party review would help in ensuring appropriate credits are recorded in TRAN-1.



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